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SUBJECT: DONORS EYE ISRAELI PULLOUT WITH MIXTURE OF HOPE, CONCERN

1. (U) Summary: At a one-day informal meeting of the "no-name" group in Brussels, convened by Canada to discuss Palestinian refugee issues, participants were fixated on the issue of Israel's proposed withdrawal from Gaza, which they characterized as posing both an opportunity and an enormous challenge. They were anxious to learn more details of PM Sharon's plan, and what the U.S. reaction to it would be when Sharon visits the U.S. April 13-15. The group was unanimous that Israel should coordinate its pullout with the governing authorities in Gaza; that Israel should ensure continued humanitarian access; and that the international community (especially donors), the Palestinian Authority, and the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) need to begin planning now for the host of issues implied by The withdrawal. End summary.

2. (U) Participants of the meeting:

Ambassador Marc Otte, EU Special Representative for Mideast Peace;
Christian Berger, political officer, Directorate General RELEX, European Commission;
Charlotta Sparre, Swedish PermRep to EU;
Geoffrey Dean, Dept. Of Foreign Affairs, Canada;
Markus Kostner, World Bank Representative for West Bank and Gaza, Washington DC;
Takashi Ishii, Japanese mission to EU;
Mark Singleton, MFA, Netherlands;
Fritz Froelich, MFA, Switzerland;
Barbara Fontana, MFA, Switzerland;
Katherina Lack, Foreign Office, Germany;
Benedicte de Monthaur, MFA, France;
Oleg Ozerov, MFA, Russia;
Martin Rapley, DFID, United Kingdom;
Age Tiltne, Regional Representative for FAFO, Amman;
Bernard Philippe, European Commission;
Matthias Burchard, UNRWA, Geneva;
Lindsay Campbell-Reidhead, USEU/PRM;
Robert Ward, program officer, PRM, Washington, DC;
Keith Chang, CIDA, Canada;
Roula El Rifai, IDRC, Canada;
Helene Kadi, CIDA, Canada;
Wolfgang Barwinkel, EU;
Jan Thesleff, EU;
Rex Brynen, McGill University, Canada;
Jill Sinclair, Foreign Affairs, Canada;
Ghaith Al Omars, Geneva Accord negotiator, Jerusalem;
Daniel Levy, Geneva Accord negotiator, Jerusalem.

3. (U) The Refugee Working Group (RWG) was established under the Declaration of Principles in 1993 and Canada was named chair. Although the RWG is defunct, Canada remains active in its leadership role on Palestinian refugee issues and convened a meeting of the group of interested countries ("no name" group) April 2 in Brussels. Major themes of the meeting follow.

Negotiate or coordinate

4. (U) Participants expressed concern about a unilateral pullout from Gaza by Israel. They echoed Palestinian pollster Khalil Shikaki's warning that an Israeli pullout without prior negotiation could lead to infighting, chaos, anarchy, and a worsening humanitarian situation. One participant noted that a recent poll in Gaza revealed 55 percent thought that an Israeli pullout without negotiation would strengthen extremist groups (Hamas). There may not be a need to negotiate Israel's withdrawal, but there is a need to coordinate a pullout, participants agreed. In fact, in the absence of an actual pullout timetable, it was warned that an escalatory climate is emerging. In this climate, the Israeli military has little choice but to take a forward military posture while Palestinians scramble to "make their mark" by imparting the most damage possible before a military withdrawal. Given the implications suggested, coordination may need to preempt further progress toward a pullout. However, many noted that, by working with the Palestinian authority, the GoI and the international community could strengthen the foundering institution, which would not only improve prospects for Gaza, but also spur the defunct peace process.

Access routes, humanitarian aid

15. (U) Participants were unanimous that Israel needed to keep access corridors open so that humanitarian aid could flow into Gaza (especially through Karni). They also noted that an Israeli pullout would likely compel the international community to hold a donor,s conference to raise funds for the reconstruction of Gaza, and that such reconstruction, if done right, could serve as a model for the West Bank. A first step would be the conducting of a comprehensive needs assessment.

Economic development a top priority

16. (U) Participants were also unanimous that should the GoI pull out of Gaza, donors should focus on rebuilding the Gaza airport and port so that economic development can proceed. Without the port and airport, Gaza will remain an economic basket case relying on international handouts. One participant noted that it would be important for the GoI to issue a minimum number of permits for Gazans to work in Israel, which is important considering there are few economic opportunities in Gaza and wages are higher in Israel. The Netherlands rep noted that even with an Israeli pullout, investors would likely steer clear of Gaza until a final settlement occurred, which could be years away. A complete Israeli pullout would also likely result in a new flow of trade between Gaza and Egypt, ending Gaza,s economic dependence on Israel.

Security

17. (U) Several participants highlighted the importance of security following an Israeli pullout. Swiss rep Froelich suggested that the donors formulate a plan to train and finance 1000 police to help keep law and order. Russian rep Ozerov suggested the temporary insertion of an international force to maintain security. The World Bank rep noted that an Israeli pullout would provide the pportunity for us to bolster the Palestinian Authority,s capacity to administer Gaza. If we fail to identify a Palestinian partner and subsequently fail to get the necessary mandate needed to meet demands, then the power base in Gaza will be up for grabs. The inclusion of the PA from the outset will be essential. Otherwise, Hamas is likely to fill the vacuum, several participants concurred.

Land use

18. (U) Participants noted that an Israeli pullout would trigger an intense debate within Gaza regarding land use issues. There are only 1200 or so houses in Israeli settlements in Gaza - and they are higher quality and more expensive than refugee housing. Thus, the governing authority might sell them rather than let refugees take them over. There is a question of what land is state land and what land is private land. There is also a question as to what would happen with the refugee camps. Refugees think they own the housing they are living in, but they do not. The pullout would bring great pressure on the governing authority to relieve the congestion of the refugee camps, which are severely overcrowded in Gaza. The PA's Ministry of Planning should begin working on housing plans for Gaza, if it has not already started to do so. However, the PA should not have sole responsibility over the land issue. It will be necessary to impart international control; otherwise there is a very real risk of infighting over land, which the PA would be unable to control. The UNRWA rep noted that donors could help right now by fully funding UNRWA,s 2004 emergency appeal, which requests \$32 million for housing projects in Gaza. (Note: The USG has contributed \$20 million of the total \$45 million donated to UNRWA,s emergency appeal in 2004. The appeal requests \$193 million in humanitarian assistance for the West Bank and Gaza. End note.)

Flow of refugees, control of border

19. (U) Participants noted that if Israel should pull out completely, pressure might mount on Gaza refugees living in Egypt, Syria, Lebanon, and Jordan to return via Egypt to Gaza without waiting for a "final" settlement. Such movements could have ramifications for the peace process.

UNRWA,s role?

110. (U) UNRWA rep Burchard noted that UNRWA, s mandate allows it to care For non-refugees in emergency situations. Therefore, UNRWA could be the conduit for assistance for the 500,000 non-refugees in Gaza, as well as the 900,000 refugees there in the event of an Israeli pullout. UNRWA,s longer-term role in Gaza would have to be revisited by the

United Nations General Assembly, which sets UNRWA,s mandate every three years.

Conclusion

11. (U) Participants, while generally upbeat about the prospects of an Israeli pullout, were also well aware of how many ways things could go wrong. They were cognizant of the inherent difficulty in brainstorming a response to the withdrawal absent a copy of the actual Israeli plan. There is a "matrix of possibilities," as one participant said. Ideally, participants want their governments to have input into how to help manage the Israeli withdrawal in a way that minimizes the potential for a humanitarian disaster for Palestinian refugees. They want to be briefed on the plan by the quartet, and to have a say in discussions regarding reconstruction of Gaza, which they as donors will be called upon to fund. One participant noted that donors are tired of pouring money into the "black hole" of the occupied territories, and stressed that donors want to be sure that this time, their money will be used in a transparent and accountable fashion such that there is real movement from relief to development. They also acknowledged that throughout the process, there will be a need for the governing authority, as well as the international community, to solicit the views of the refugees themselves prior to taking actions on their behalf.

(This cable was drafted by PRM/ANE.)

SCHNABEL